

## Outlook

7.67 India has experienced a steadily deepening globalisation, and Indian firms are getting integrated into global production chains. Belying the considerable gloom that was there about the outlook for Indian manufacturing in a globalised era, the best firms of India have succeeded in realizing rapid growth rates of exports.

7.68 At the same time, industrial growth has been at below 10 per cent for several years now. One of the most important challenges in Indian economic policy consists of devising strategies for obtaining industrial growth in excess of 10 per cent.

7.69 The five major constraints which appear to play a prominent role in influencing industrial growth today are (a) reservation for small scale sector, (b) high customs tariffs, (c) rigidities in labour law acting as an impediment to building large firms and reaping the economies of scale and scope, (d) frictions faced in the creation and closure of firms in response to normal competitive market dynamics, and (e) distortions in the structure of indirect taxes, which affect resource allocation. The outlook for Indian industry appears bright if these impediments are removed.